

CS FOR HOUSE BILL NO. 105(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 4/10/15

Referred: Finance

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the programs and bonds of the Alaska Industrial Development and**
2 **Export Authority; requiring the Alaska Industrial Development and Export Authority**
3 **to deliver to the legislature reports relating to the Interior energy project; relating to the**
4 **financing authorization through the Alaska Industrial Development and Export**
5 **Authority of a liquefied natural gas production plant and natural gas energy projects**
6 **and distribution systems in the state; amending and repealing bond authorizations**
7 **granted to the Alaska Industrial Development and Export Authority; and providing for**
8 **an effective date."**

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
11 to read:

12 LEGISLATIVE INTENT. It is the intent of the legislature that the financing

1 authorized in sec. 9 of this Act be used only for the Interior energy project described in sec. 9
2 of this Act.

3 * **Sec. 2.** AS 42.05.711(b) is amended to read:

4 (b) Except as otherwise provided in this subsection and in (o) of this section,
5 public utilities owned and operated by a political subdivision of the state, or electric
6 operating entities established as the instrumentality of two or more public utilities
7 owned and operated by political subdivisions of the state, are exempt from this
8 chapter, other than AS 42.05.221 - 42.05.281 and 42.05.385. However,

9 (1) the governing body of a political subdivision may elect to be
10 subject to this chapter; [AND]

11 (2) a utility or electric operating entity that is owned and operated by a
12 political subdivision and that directly competes with another utility or electric
13 operating entity is subject to this chapter and any other utility or electric operating
14 entity owned and operated by the political subdivision is also subject to this chapter;
15 this paragraph does not apply to a utility or electric operating entity owned and
16 operated by a political subdivision that competes with a telecommunications utility;
17 **and**

18 **(3) a natural gas distribution system and affiliated infrastructure**
19 **that provides natural gas to Interior Alaska and receives financing through the**
20 **Alaska Industrial Development and Export Authority sustainable energy**
21 **transmission and supply development fund (AS 44.88.660) is subject to this**
22 **chapter.**

23 * **Sec. 3.** AS 44.88.095(c) is amended to read:

24 (c) Before entering into a lease or other agreement under AS 44.88.090(e)
25 regarding a project for which the authority agrees to issue bonds in an amount in
26 excess of **\$10,000,000** [\$6,000,000], there must be filed with the authority a certified
27 copy of a resolution of the governing body of the political subdivision of the state, if
28 any, in which the project is to be located, consenting to the location of the project. The
29 consent need only refer to the general nature of the project ultimately to be acquired **or**
30 **financed**, as set out in a request of the proposed project applicant. Before entering into
31 a lease or other agreement under AS 44.88.090(e) regarding a project, the authority

1 shall find, on the basis of all information reasonably available to it, that

2 (1) the project and its development under this chapter will be
3 economically advantageous to the state and the general public welfare and will
4 contribute to the economic growth of the state;

5 (2) the project applicant is financially responsible;

6 (3) provision to meet increased demand **on** [UPON] public facilities
7 that might result from the project is reasonably assured; and

8 (4) the project will provide, or retain, employment reasonably related
9 to the amount of the financing by the authority, considering the amount of investment
10 **for each** [PER] employee for comparable facilities and other relevant factors.

11 * **Sec. 4.** AS 44.88.095(g) is amended to read:

12 (g) The authority may issue bonds in an amount greater than **\$25,000,000**
13 [\$10,000,000] to assist in the financing of a development project under AS 44.88.172 -
14 44.88.177 only if approved by **the legislature** [LAW], excluding refunding bonds.
15 Refunding bonds may be issued without further approval by law in a principal amount
16 sufficient to provide funds for the payment of all bonds to be refunded by them and, in
17 addition, for the payment of all other amounts that the authority considers appropriate
18 in connection with the refunding, including expenses incident to the redeeming,
19 calling, retiring, or paying of the outstanding bonds, the funding of reserves, and the
20 issuance of the refunding bonds.

21 * **Sec. 5.** AS 44.88.155(d) is amended to read:

22 (d) A loan participation purchased by the authority with assets of the
23 enterprise development account or with proceeds of bonds secured by assets of the
24 enterprise development account

25 (1) may not exceed **\$25,000,000** [\$20,000,000]; however, in the case
26 of a loan participation for qualified energy development, the loan participation may
27 exceed **\$25,000,000** [\$20,000,000] with legislative approval;

28 (2) may not be purchased unless

29 (A) the project applicant is not, or, if the applicant is not a
30 single proprietorship, all members of the business enterprise or enterprises
31 constituting the project applicant are not, in default on another loan made by

1 the state or by a public corporation of the state; and

2 (B) at least 10 percent of the principal amount of the loan is
3 retained by the loan originator, or the loan is for financing improvements in
4 energy efficiency;

5 (3) may not be purchased if the loan to be purchased exceeds 75
6 percent of the appraised value of the collateral offered as security for the loan unless
7 the amount of the loan in excess of this limit is federally insured or guaranteed or is
8 insured by a qualified mortgage insurance company, except that the loan to be
9 purchased under this paragraph may not exceed the total of loan proceeds used to
10 refinance an existing debt plus the cost of new construction, expansion, or acquisition
11 unless the proceeds from the additional amounts of the loan to be purchased are
12 restricted to uses approved by the authority to finance commercial activity in the state
13 by a business enterprise;

14 (4) may not be purchased if the participation in the loan to be
15 purchased is for a term longer than the following, except that a loan under (A) or (C)
16 of this paragraph may not have a term longer than three-quarters of the authority's
17 estimate of the life of the collateral offered as security for the loan:

18 (A) 40 years from the date the loan is made in the case of a
19 loan participation for a project described in AS 44.88.900(11)(E);

20 (B) 50 years from the date the loan is made in the case of a loan
21 participation for qualified energy development;

22 (C) 25 years from the date the loan is made in the case of a loan
23 participation for other projects;

24 (5) may be made only if the participation in the loan to be purchased
25 contains amortization provisions; the amortization provisions

26 (A) must be complete and satisfactory to the authority and
27 require periodic payments by the borrower;

28 (B) may allow the loan originator to amortize the portion of the
29 loan retained by the loan originator using a shorter amortization schedule than
30 the amortization schedule for the portion of the loan held by the authority if

31 (i) in the authority's opinion, the project financed can

1 support the increased debt service; and

2 (ii) the accelerated amortization schedule is required to
3 induce the originator to make the loan;

4 (6) may be made only if the participation in the loan to be purchased is
5 in the form and contains the terms and provisions with respect to insurance, repairs,
6 alterations, payment of taxes and assessments, default reserves, delinquency charges,
7 default remedies, acceleration of maturity, secondary liens, and other matters the
8 authority prescribes; and

9 (7) may be made only if the participation in the loan to be purchased is
10 secured as to repayment by a mortgage or other security instrument in the manner the
11 authority determines is feasible to assure timely repayment under the loan documents
12 entered into with the borrower.

13 * **Sec. 6.** AS 44.88.170(a) is amended to read:

14 (a) **Except as provided in (c) of this section, nothing** [NOTHING] in this
15 chapter prevents the inclusion in a lease or other agreement relating to a project of a
16 provision granting the right to purchase the project, or to renew or extend the lease or
17 agreement, upon the terms and conditions **that** [WHICH] may be provided for in the
18 lease or agreement.

19 * **Sec. 7.** AS 44.88.170 is amended by adding a new subsection to read:

20 (c) The authority, without first obtaining legislative approval, may not

21 (1) purchase or acquire gas reserves or a gas lease or become a
22 working interest owner of a natural gas lease; or

23 (2) negotiate or enter into a gas supply contract with a natural gas
24 producer unless the contract is between a natural gas producer and natural gas
25 distribution utility that is owned by the authority or a subsidiary corporation of the
26 authority and the contract is for the natural gas producer to provide the utility, and
27 only the utility, with a natural gas supply for distribution to customers of the utility.

28 * **Sec. 8.** AS 44.88.900(16) is amended to read:

29 (16) "qualified energy development" means a development in the state
30 that involves

31 (A) transmission, generation, conservation, storage, or

1 distribution of heat or electricity;

2 (B) liquefaction, regasification, distribution, storage, or use of
 3 natural gas, **propane, or propane and air mixture; in this subparagraph,**
 4 **"distribution" does not include** [EXCEPT] a natural gas pipeline project for
 5 transporting natural gas from the North Slope or Cook Inlet to market **unless**
 6 **the pipeline has a diameter of 12 inches or less and transports the natural**
 7 **gas to Interior Alaska;**

8 (C) distribution or storage of refined petroleum products;

9 * **Sec. 9.** The uncodified law of the State of Alaska enacted in sec. 11(a), ch. 26, SLA 2013,
 10 is amended to read:

11 (a) The Alaska Industrial Development and Export Authority, through the
 12 Alaska Industrial Development and Export Authority sustainable energy transmission
 13 and supply development fund (AS 44.88.660), may provide financing up to a principal
 14 amount of \$275,000,000 for the development, construction, and installation of, and the
 15 start-up costs of operation and maintenance for, a liquefied natural gas production
 16 plant and system and affiliated infrastructure **in the state that will provide natural**
 17 **gas to Interior Alaska as a primary market** [ON THE NORTH SLOPE] and [A]
 18 natural gas **delivery and** distribution **systems** [SYSTEM] and affiliated infrastructure
 19 **that will provide natural gas to** [IN] Interior Alaska, **if the Alaska Industrial**
 20 **Development and Export Authority prepares a project plan and receives**
 21 **legislative approval of the plan. The project plan must**

22 **(1) identify the source of the natural gas or propane;**

23 **(2) include the estimated cost of the project; and**

24 **(3) include the estimated price of natural gas under the project for**
 25 **natural gas utilities in Fairbanks before distribution to consumers.**

26 * **Sec. 10.** The uncodified law of the State of Alaska enacted in sec. 25, ch. 123, SLA 1990,
 27 as repealed and reenacted by sec. 1, ch. 3, FSSLA 1992, is amended to read:

28 Sec. 25. The Alaska Industrial Development and Export Authority may issue
 29 bonds to finance the acquisition, design, and construction of aircraft maintenance air
 30 cargo/air transport support facilities located at Anchorage International Airport, to be
 31 owned by the Authority. The principal amount of the bonds may not exceed **\$28,000,000**

1 [\$85,000,000]. This section grants the legislative approval required by AS 44.88.095.

2 * **Sec. 11.** Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996; sec. 3,
3 ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA 1996; secs. 24(a) and
4 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended by sec. 1, ch. 93, SLA
5 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

6 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 REPORT. (a) The Alaska Industrial Development and Export Authority shall submit
9 quarterly to the legislature a written report on the Interior energy project. The authority shall
10 deliver the report to the senate secretary and the chief clerk of the house of representatives
11 and notify the legislature that the report is available. The report must include

12 (1) a description of project progress on all components;

13 (2) an update on the status of local distribution infrastructure buildout;

14 (3) to-date and anticipated conversions; and

15 (4) a financial accounting of funds expended and funds anticipated to be spent,
16 including loans, grants, and bonds.

17 (b) If requested, the Alaska Industrial Development and Export Authority shall
18 provide a project briefing on the Interior energy project to the Legislative Budget and Audit
19 Committee.

20 * **Sec. 13.** This Act takes effect immediately under AS 01.10.070(c).